

AMENDED IN SENATE JUNE 3, 2010

AMENDED IN ASSEMBLY APRIL 19, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 2651

Introduced by Assembly Member Knight

February 19, 2010

An act to amend ~~Sections 16757 and~~ Section 16773 of the Government Code, to amend Sections 998.402 and 998.404 of, and to add Section 988.6 to, the Military and Veterans Code, relating to veterans, *and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2651, as amended, Knight. Veterans farm and home purchases: bond acts.

Existing law authorizes the Department of Veterans Affairs to provide home and farm purchase loans to veterans and to utilize the proceeds from state general obligation bonds issued and sold for these purposes.

This bill would create in the State Treasury a revolving special fund known as the Veterans' Bonds Payment Fund, which moneys would be used solely to pay debt service, as defined, on bonds issued pursuant to all veterans' farm and home purchase bond acts, as specified, and all moneys in this fund would be continuously appropriated for this purpose. The bill would also authorize moneys in the Veterans' Bonds Payment Fund to be transferred to an account within the Refunding Escrow Fund *for the purposes of paying debt service, as prescribed. This bill would prohibit moneys from being borrowed or transferred from the Veterans' Bonds Payment Fund to the General Fund or the General Cash Revolving Fund, as specified.*

The Veterans' Bond Act of 2008 (hereafter the act) authorizes, for purposes of financing a specified program for farm, home, and mobilehome purchase assistance for veterans, the issuance, pursuant to the State General Obligation Bond Law, of bonds in the amount of \$900,000,000. The act requires specified payments required to be remitted for the payment of debt service on the bonds in each fiscal year, to be transferred to the General Fund to pay the debt service on all of the money in the fund. *Existing law does not grant a lien on the Veterans' Farm and Home Building Fund or the money therein to the holder of any bonds issued under the act.*

This bill would instead require those payments to be transferred to the Veterans' Bonds Payment Fund, rather than to the General Fund. *This bill would not grant a lien on the Veterans' Farm and Home Building Fund, the Veterans' Bonds Payment Fund, or the money therein to the holder of any bonds issued under the act.*

~~Existing law requires the proceeds of each sale of bonds, and the amount that may have been paid as accrued interest on the bonds, to be paid over by the Treasurer into the fund. Under existing law, all money deposited in the fund that is derived from premium and accrued interest on bonds sold is required to be reserved in the fund and available for transfer to the General Fund, as provided, except that amounts derived from premiums on the bonds may be used to pay costs of issuance of the bonds, as specified, prior to transfer to the General Fund.~~

~~This bill would provide that the moneys described above that are deposited in the Veterans' Farm and Home Building Fund of 1943 shall be available for transfer to the Veterans' Bond Payment Fund.~~

Under existing law, whenever any payment of principal of any bonds becomes due, either upon the maturity of any of the bonds or upon the redemption thereof prior to maturity, and whenever any interest on any of the bonds falls due, warrants shall be drawn against the appropriation made by the bond act from the General Fund by the Controller in favor of the Treasurer, or state fiscal agents, or other duly authorized agents, pursuant to claims filed with the Controller by the Treasurer, in the amounts falling due.

This bill would provide that for any of the above payments *of debt service*, with respect to any bonds issued pursuant to a veterans' farm and home purchase ~~account~~ *bond act*, the Controller shall first draw warrants against the *appropriation from the Veterans' Bond Payment Fund*, and, to the extent moneys in the fund are insufficient to pay the

amount of debt service then due, shall draw warrants against the appropriation made by the bond act from the General Fund.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~^{2/3}. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. Section 16757 of the Government Code is~~
2 ~~amended to read:~~

3 ~~16757. (a) The proceeds of each sale of bonds, and the amount~~
4 ~~that may have been paid as accrued interest on the bonds, shall be~~
5 ~~forthwith paid over by the Treasurer into the fund.~~

6 ~~(b) All money deposited in the fund pursuant to this section that~~
7 ~~is derived from premium and accrued interest on bonds sold shall~~
8 ~~be reserved in the fund and shall be available for transfer to the~~
9 ~~General Fund as provided in the bond act, except that amounts~~
10 ~~derived from premium on the bonds may be used to pay costs of~~
11 ~~issuance of the bonds, as provided in Section 16724.5, and in~~
12 ~~subdivisions (d) and (e) of Section 16727, prior to transfer to the~~
13 ~~General Fund. Moneys described in the prior sentence that are~~
14 ~~deposited in the Veterans' Farm and Home Building Fund of 1943,~~
15 ~~created by Section 988 of the Military and Veterans Code, shall~~
16 ~~be available for transfer to the Veterans' Bond Payment Fund~~
17 ~~created pursuant to Section 988.6 of the Military and Veterans~~
18 ~~Code.~~

19 ~~SEC. 2.~~

20 ~~SECTION 1. Section 16773 of the Government Code is~~
21 ~~amended to read:~~

22 ~~16773. Whenever any payment of principal of any bonds shall~~
23 ~~become due, either upon the maturity of any of the bonds or upon~~
24 ~~the redemption thereof prior to maturity, and whenever any interest~~
25 ~~on any of the bonds shall fall due, warrants shall be drawn against~~
26 ~~the appropriation made by the bond act from the General Fund by~~
27 ~~the Controller in favor of the Treasurer, or state fiscal agents, or~~
28 ~~other duly authorized agents, pursuant to claims filed with the~~
29 ~~Controller by the Treasurer, in the amounts so falling due. For any~~
30 ~~such payments of debt service, as defined in subdivision (c) of~~
31 ~~Section 998.404 of the Military and Veterans Code, with respect~~

1 to any bonds issued pursuant to a ~~veterans~~ veterans' farm and
2 home purchase ~~account bond act~~ adopted pursuant to *Chapter 6*
3 *(commencing with Section 980)* of Division 4 of the Military and
4 Veterans Code, the Controller shall first draw warrants against the
5 *appropriation from the Veterans' Bonds Payment Fund* ~~created~~
6 ~~by~~ *in* Section 988.6 of the Military and Veterans Code, and, to the
7 extent moneys in that fund are insufficient to pay the ~~amount due~~;
8 ~~shall draw warrants against the General Fund~~ *amount of debt*
9 *service then due, shall draw warrants against the appropriation*
10 *made by the bond act from the General Fund for payment of any*
11 *remaining amount then due.*

12 ~~SEC. 3.~~

13 *SEC. 2.* Section 988.6 is added to the Military and Veterans
14 Code, to read:

15 988.6. (a) There is hereby created in the State Treasury a
16 revolving special fund known as the Veterans' Bonds Payment
17 Fund. All moneys in this fund shall be used solely to pay debt
18 service, as this term is defined in subdivision (c) of Section
19 998.404, *when due* on bonds issued pursuant to all ~~veterans~~
20 *veterans'* farm and home purchase bond acts pursuant to this
21 chapter, and *notwithstanding Section 13340 of the Government*
22 *Code*, all moneys in this fund are continuously appropriated for
23 this purpose.

24 (b) All moneys in the Veterans' Bonds Payment Fund are
25 necessary for immediate use and no amounts of this fund shall be
26 considered "surplus money," for the purposes of Section 16470
27 of the Government Code.

28 (c) Moneys in the Veterans' Bonds Payment Fund shall be used
29 solely as described in subdivision (a), and therefore no moneys in
30 that fund shall be ~~transferred for use as described in~~ *borrowed by,*
31 *or transferred to, the General Fund pursuant to* subdivision (a) of
32 *Section 16310 of the Government Code or any other similar*
33 *authority, or to the General Cash Revolving Fund pursuant to*
34 *Section 16381 of the Government Code or any other similar*
35 *authority.*

36 (d) Moneys in the Veterans' Bonds Payment Fund may be
37 transferred to an account within the Refunding Escrow Fund
38 created by Section 16784 of the Government Code *for the purposes*
39 *of paying debt service, as defined in subdivision (c) of Section*
40 *998.404, in connection with the refunding of bonds issued pursuant*

1 *to veterans' farm and home purchase bond acts pursuant to this*
2 *chapter.*

3 ~~SEC. 4.~~

4 SEC. 3. Section 998.402 of the Military and Veterans Code is
5 amended to read:

6 998.402. As used herein, the following ~~words~~ *terms* have the
7 following meanings:

8 (a) "Board" means the Department of Veterans Affairs.

9 (b) "Bond" means *a* veterans' bond, a state general obligation
10 bond, issued pursuant to this article adopting the provisions of the
11 State General Obligation Bond Law.

12 (c) "Bond act" means this article authorizing the issuance of
13 state general obligation bonds and adopting the State General
14 Obligation Bond Law by reference.

15 (d) "Committee" means the Veterans' Finance Committee of
16 1943, established by Section 991.

17 (e) "Fund" means the Veterans' Farm and Home Building Fund
18 of 1943, established by Section 988.

19 (f) "Payment Fund" means the Veterans' Bonds Payment Fund
20 established by Section 988.6.

21 ~~SEC. 5.~~

22 SEC. 4. Section 998.404 of the Military and Veterans Code is
23 amended to read:

24 998.404. (a) All bonds authorized by this article, when duly
25 sold and delivered as provided herein, constitute valid and legally
26 binding general obligations of the State of California, and the full
27 faith and credit of the State of California is hereby pledged for the
28 punctual payment of both principal and interest thereof.

29 (b) There shall be collected annually, in the same manner and
30 at the same time as other state revenue is collected, a sum of
31 money, in addition to the ordinary revenues of the state, sufficient
32 to pay the principal of, and interest on, these bonds as provided
33 herein, and all officers required by law to perform any duty in
34 regard to the collection of state revenues shall collect this additional
35 sum.

36 (c) On the dates on which funds are to be remitted pursuant to
37 Section 16676 of the Government Code for the payment of debt
38 service on the bonds in each fiscal year, there shall be transferred
39 to the Payment Fund to pay the debt service all of the money in
40 the fund, not in excess of the amount of debt service then due and

1 payable. If the money transferred on the remittance dates is less
2 than debt service then due and payable, the balance remaining
3 unpaid shall be transferred to the General Fund out of the fund as
4 soon as it shall become available, together with interest thereon
5 from the remittance date until paid, at the same rate of interest as
6 borne by the bonds, compounded semiannually. Notwithstanding
7 any other provision of law to the contrary, this subdivision shall
8 apply to all ~~veterans~~ *veterans'* farm and home purchase bond acts
9 pursuant to this chapter. This subdivision does not grant any lien
10 on the fund, *the Payment Fund*, or the moneys therein to the holders
11 of any bonds issued under this article. For the purposes of this
12 subdivision, "debt service" means the principal (whether due at
13 maturity, by redemption, or acceleration), premium, if any, or
14 interest payable on any date with respect to any series of bonds.
15 This subdivision shall not apply, however, in the case of any debt
16 service that is payable from the proceeds of any refunding bonds.

17 *SEC. 5. This act is an urgency statute necessary for the*
18 *immediate preservation of the public peace, health, or safety within*
19 *the meaning of Article IV of the Constitution and shall go into*
20 *immediate effect. The facts constituting the necessity are:*

21 *In order to save the state five hundred thousand dollars*
22 *(\$500,000) in debt interest payment costs, it is necessary that this*
23 *act go into immediate effect.*